

Cost Recovery in Community Center/Recreation Operations

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While the community center and gym (if built) give the City of Takoma Park the means to expand its community activities and recreation offerings considerably, they represent a significant increase in the City's financial obligations. It is important to recognize that those obligations go beyond temporary increases in spending to build, furnish, and equip these facilities. Once constructed, equipped, and operating, these facilities will require ongoing funding for program staffing and materials, equipment replacement, building maintenance and repairs, and general depreciation. In such a context, it is important to consider various means of providing adequate funding on an ongoing basis.

To that end, I have compared Takoma Park's approach to financing its recreation activities with those of other nearby municipalities that offer a similar spectrum of activities. Two are substantially larger than Takoma Park (Rockville and Gaithersburg). The third, Greenbelt, is similar to Takoma Park in population size and composition. All three have much larger recreational facilities and programming than Takoma Park. I used Recreation Department and general budgets from each of these municipalities to examine sources of funding for municipal operations and cost recovery for various categories of recreation programming. I used information provided by each recreation department to divide recreation programming in each municipality into categories similar to those used in Takoma Park and to allocate costs and user fee revenues to each category. Grant funding was not included in the cost recovery analysis. I received considerable assistance from Debra Haiduven in this process, but responsibility for the analysis is mine alone.

My principal findings are as follows:

- Takoma Park spends a much smaller share of its overall budget on recreation (under 10%) compared to Gaithersburg (17%), Rockville, and Greenbelt (21-22% each).
- Takoma Park spends much less per resident on recreation programs (\$50-70) than Gaithersburg (roughly \$125), Greenbelt (roughly \$190), or Rockville (roughly \$300)
- Takoma Park recovers a much smaller share of the cost of its recreation programs through program fees (roughly 20%) than Rockville, Gaithersburg, or Greenbelt (35-40% each).
- Like Rockville, Takoma Park recovers the entire cost of its childcare program through program fees. Neither Gaithersburg nor Greenbelt has a childcare program.
- Cost recovery from senior programs is low in all four municipalities. However, Takoma Park charges nothing for its senior programs while the other three municipalities generate some income from fees (5% of program costs in Greenbelt, 15-20% in Rockville and Gaithersburg).
- Rockville and Gaithersburg cover about half the cost of their youth programs from fees while Greenbelt covers the entire cost of its youth programs. Takoma Park recovers about 15-20%.

- Greenbelt covers about half the cost of its adult programs from fees while Rockville and Gaithersburg cover the entire operating cost of their adult programs. Takoma Park recovers about 30% of the costs of its adult programs.
- Takoma Park recovers about a quarter of its community center programming from fee revenue compared to roughly the entire cost of community center programs in Rockville and Gaithersburg. Greenbelt recovers about a quarter of its community center program costs from user fees but covers the remainder via grants from Prince Georges County.
- A higher rate of cost recovery allows Gaithersburg to keep net recreation expenditures per resident in line with those in Takoma Park (\$75 in Gaithersburg compared to \$45 in Takoma Park). Higher cost recovery rates combined with grants from Prince Georges County allow Greenbelt to do the same. In other words, these municipalities are able to offer substantially more recreational programming (and more extensive facilities) than Takoma Park at roughly the same net cost per resident.

Takoma Park relies more on property taxes than any of the other three municipalities. Half of Takoma Park's revenues come from property taxes, compared to 30-35% for Rockville and Gaithersburg and 45% for Greenbelt. Thus, continuing the City's current policy of recreation program financing will mean permanently higher property taxes; insufficient funding to provide staffing, materials and equipment for recreation programming and maintenance, repairs, and replacement of buildings and fixtures; or both.

For these reasons, it seems appropriate for the City to consider strongly pursuing greater cost recovery through program user fees so that it can allow the Recreation Department to meet the City's goals without increasing the tax burden unduly. Options that should be considered for putting the City's recreation and civic outreach programs on a sounder financial footing include:

- Charging market rates for some types of facilities usage and certain kinds of programming; and
- Giving priority to some programming that can generate significant revenue.